

Message Text

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ACTION EUR-25

INFO OCT-01 NEA-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01

SAJ-01 DRC-01 /179 W

----- 129771

R 121733Z JUN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3198

AMEMBASSY CAIRO

INFO USMISSION NATO BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 09425

CAIRO FOR USDEL

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: PFOR, EGEN, FR, GW, US, EEC

SUBJECT: SCHMIDT-GISCARD MEETING

REFS: A) BONN 8927, B) BONN 9113

BEGIN SUMMARY: SENIOR FOREIGN OFFICE OFFICIAL HAS
DISCUSSED RECENT SCHMIDT-GISCARD MEETING WITH DCM,
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EMPHASIZING FRG RELIEF AT GISCARD'S STATED DETERMINATION

TO PURSUE STABILITY POLICY. OFFICIAL MADE CLEAR GERMAN READINESS TO SUPPORT FRENCH EFFORTS IN MULTILATERAL CONTEXT AND TO WORK WITH GISCARD AND OTHER EC PARTNERS IN ECONOMIC AND MONETARY FIELDS. OFFICIAL ALSO TERMED GISCARD MORE RELAXED VIS-A-VIS CONSULTATIONS WITH US AND ROLE OF EC COMMISSION. HE EXPRESSED HOPE THAT THE US WOULD RECOGNIZE THE EVOLVING FRENCH POSITION AND WOULD DEAL WITH THE NINE ON A MULTILATERAL BASIS. END SUMMARY

1. DURING JUNE 12 MEETING WITH DCM, SENIOR FONOFF OFFICIAL EXPRESSED FRG RELIEF AND SATISFACTION AT THE STATED DETERMINATION OF GISCARD TO PURSUE ECONOMIC STABILITY POLICY. OUR SOURCE SAID BONN SAW NO ALTERNATIVE TO PARALLEL POLICIES AND COOPERATION WITH EC PARTNERS. HE NOTED THAT THE ROLE OF FRANCE, THE MAJOR FRG CUSTOMER, IS DECISIVE. WITHOUT SUCH A POLICY BY FRANCE AND OTHER EC PARTNERS, SURPLUSES IN THE GERMAN BALAHE OF PAYMENTS WOULD ONLY SIGNIFY THAT THE FRG WAS SELLING ITS PRODUCTS TOO CHEAPLY AND WAS OBTAINING FOREIGN CURRENCY THAT WOULD SIMPLY BE DEVALUED QUICKLY THEREAFTER, THUS ADDING FURTHER TO INTERNAL ECONOMIC INSTABILITY.

2. CONTINUING, FONOFF OFFICIAL VENTED WELL-KNOWN GERMAN CONCERN CONCERNING HIGH RATE OF INFLATION. SUCH CIRCUMSTANCES MEANT THAT REVALUATION WOULD BE MEANINGLESS AS AN INSTRUMENT OF ECONOMIC STABILITY. MOREOVER, REVALUATION WOULD HURT SECTORS OF THE ECONOMY NEEDING PROTECTION AND WOULD PRODUCE A CERTAIN STAGNATION IN EMPLOYMENT. SECTORS LIKE THE AUTOMOBILE INDUSTRY ALREADY WERE IN A TOUGH SITUATION AND THIS Affected THE ECONOMY AS A WHOLE. UNEMPLOYMENT ALSO HAD THE CONSEQUENCES THAT FOREIGN WORKERS WERE THE FIRST TO GO.

3. WHILE WELCOMING GISCARD'S STATED POLICY, FONOFF OFFICIAL SAID THAT THE FRENCH PRESIDENT HAD A TOUGH ROAD AHEAD. HE SAID GISCARD IS NOT SEEKING BILATERAL SUPPORT BUT THE FRG WOULD BE READY TO CONTRIBUTE ITS

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 09425

SHARE TO HELP FRANCE IN A MULTILATERAL FRAMEWORK.

4. OUR SOURCE SAID BOTH SCHMIDT AND Giscard AGREED THAT
TOO MUCH TIME HAD BEEN LOST IN ESTABLISHING THE ECONOMIC
AND MONETARY UNION. HE SAID BOTH LEADERS AGREED TO WORK
TOGETHER TO TRY TO MOVE FORWARD ON EMU. MOREOVER,
THEY SPOKE OF COOPERATION IN THE MONETARY FIELD, IN
PARTICULAR REGARDING GOLD RESERVES, POSSIBLE DEVELOPMENT
OF A COMMUNITY-LEVEL BANK INSTITUTION AND EVEN THE
SETTING UP OF A FOREIGN CURRENCY FUND IN THE COMMON
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MARKET. NOW THAT THE COMMON TARGET OF STABILITY

HAD BEEN AGREED UPON, THE TWO LEADERS WERE REPORTEDLY DETERMINED TO PERSEVERE ON A DAILY BASIS TO ASSURE THAT THEIR BROAD INSTRUCTIONS WERE CARRIED OUT.

5. ON THE POLITICAL SIDE, OUR SOURCE SAID GISCARD WAS MUCH MORE RELAXED VIS-A-VIS RELATIONS WITH THE US AND THAT PRESTIGE WOULD PLAY LESS OF A ROLE FOR FRANCE THAN IT HAD DURING THE POMPIDOU GOVERNMENT. FURTHER, THE NEW FRENCH GOVERNMENT WAS FAR MORE INCLINED TO ACCEPT THE ROLE OF BRUSSELS INSTITUTIONS, INCLUDING THE EC COMMISSION. AT THE JUNE 10-11 EC-9 MINISTERIAL, SAUVAGNARGUES HAD TAKEN A VERY RELAXED STANCE REGARDING THE COMMISSION'S ROLE IN THE UPCOMING EC/ARAB DIALOGUE.

6. WHILE FONOIFF OFFICIAL DID NOT EXPECT ANY EARLY SPECTACULAR CHANGES IN FRENCH FOREIGN POLICY, HE SAID HE COULD IMAGINE THAT THE FRENCH WOULD BE EASIER TO DEAL WITH. HE WAS CONCERNED, HOWEVER, ON ONE POINT IN FUTURE US RELATIONS WITH FRANCE AND THE COMMUNITY. IN THE PAST, OUR SOURCE UNDERSTOOD THE US APPROACH TO FRANCE TO BE CONCEIVED IN BILATERAL TERMS. NOW THAT FRANCE SEEMED TO BE MOVING TOWARD MORE COOPERATION IN THE EC-9 MULTILATERAL CONTEXT, OUR SOURCE EXPRESSED THE HOPE THAT THE US WOULD DEAL WITH BOTH PARIS AND THE NINE ON SUCH A MULTILATERAL BASIS.

HILLENBRAND

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, ECONOMIC STABILITY, SUMMIT MEETINGS, INTERGOVERNMENTAL COOPERATION, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN09425
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740151-1069
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740654/aaaabtsb.tel
Line Count: 197
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) BONN 8927, B) BONN 9113
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by izenbei0>; APPROVED <17 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SCHMIDT-GISCARD MEETING
TAGS: PFOR, EGEN, FR, GE, US, EEC, (GISCARD D'ESTAING, VALERY), (SCHMIDT, HELMUT)
To: STATE CAIRO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005